

EXHIBIT H



Gavin Newsom, Governor

State of California

Health and Human Services Agency

DEPARTMENT OF MANAGED HEALTH CARE

980 9th Street, Suite 500

Sacramento, CA 95814

Phone: 916-323-0435 | Fax: 916-323-0438

www.HealthHelp.ca.gov

March 15, 2022

SENT VIA EMAIL ONLY TO:

Jackie Bright
Meritage Health Plan
4 Hamilton Landing, Suite 100
Novato, CA 94949

RE: ENFORCEMENT MATTER NUMBER: 21-829

LETTER OF AGREEMENT

Dear Jackie Bright:

The Office of Enforcement within the Department of Managed Health Care (Department) has concluded its investigation of Meritage Health Plan (Plan), License Number 933 0552, concerning the above matter. This investigation concerned the Plan's violations of the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act) and regulations promulgated thereunder. The relevant facts are fully set forth below.

The Plan is a California for-profit corporation licensed to operate as a restricted Knox-Keene licensee serving the Medicare Advantage line of business in six counties pursuant to plan-to-plan contracts with various health care service plans. The Plan is approved to operate in Fresno, Madera, Marin, Napa, Solano, and Sonoma counties. The Plan is owned directly by Meritage Health Ventures, LLC, which is owned by Meritage Medical Network (MMN). As an independent provider organization, MMN shares were held by various licensed physicians. On March 31, 2021, the Plan's parent, MMN, was purchased by Babylon Medical Group (BMG). MMN entered into a stock purchase agreement with BMG where individual shareholders of MMN sold 100% of the equity interest in MMN to BMG for a consideration of \$31 million.

On April 1, 2021, the Office of Financial Review (OFR), Division of Financial Oversight (DFO), was informed by the OFR Provider Solvency Unit that there was a change in control of the Plan's ultimate parent company, MMN, and the transaction closed on March 31, 2021. On April 2, 2021, DFO sent an email to the Plan's Chief Compliance Officer confirming the change in control transaction and asked the Plan to file a notice of material modification for a change of control. The Plan filed the notice with the Department on April 5, 2021, after the change in control went into effect.

Enforcement Matter Number.: 21-829

Document Number.: 372456

Meritage Health Plan
Jackie Bright

March 15, 2022
Page 2 of 3

The Plan failed to notify the Department and obtain prior approval from the director in violation of the California Code of Regulations, title 28, section 1399.65, subdivision (a)(1), and Health and Safety Code section 1352, subdivision (b).

A plan must notify the Department of a material modification of its plan or operations prior to the implementation of the material modification. (Health & Saf. Code, § 1352, subd. (b).) A plan that intends to merge or consolidate with, or enter into an agreement resulting in its purchase, acquisition, or control by, any entity, including another health care service plan or health insurer licensed under the Insurance Code, shall give notice to, and secure prior approval from, the director. (Cal. Code Regs., tit. 28, § 1399.65, subd. (a)(1).)

The change in control of the Plan's parent company took effect on March 31, 2021. However, the notice of change in control was not filed with the Department until April 5, 2021. The Plan failed to file a notice of material modification for a change of control prior to a material change to its license application, in violation of Health and Safety Code section 1352, subdivision (b). The Plan also failed to get prior approval from the Department prior to entering into an agreement that resulted in a change of control of the Plan's parent company in violation of California Code of Regulations, title 28, section 1399.65, subdivision (a)(1).

The Plan has acknowledged its failure to comply with the Knox-Keene Act and title 28 of the California Code of Regulations in this enforcement matter. The Department has determined that a Corrective Action Plan (CAP) and an administrative penalty of \$13,000 are warranted. The Department has accepted the CAP submitted by the Plan as detailed in the table below. The Department agrees that performance of the CAP to the Department's satisfaction and payment of the penalty will settle all issues, accusations, and claims pertaining to this enforcement matter. This agreement and the violations set forth herein may not be used as an admission against the Plan in any civil or criminal proceedings; however, they may be considered and used in any future action or proceeding by the Department involving the Plan.

Deliverable Number	Description of Deliverable	Date Completed
1	Written confirmation the Plan has revised their policies and procedures to comply with Health and Safety Code section 1352, subdivision (b) and California Code of Regulations, title 28, section 1399.65, subdivision (a)(1)	March 4, 2022

///

///

Meritage Health Plan
Jackie Bright

March 15, 2022
Page 3 of 3

In summary, the statute(s) and/or regulation(s) prosecuted herein are:

- California Code of Regulations, title 28, section 1399.65, subdivision (a)(1); and
- Health and Safety Code section 1352, subdivision (b).

This agreement contains the entire understanding among the parties and supersedes any prior understandings and/or written or oral agreements among them respecting the subject matter within.

Sincerely,

Dated: April 9, 2022

/Original Signed/
Sonia R. Fernandes
Deputy Director | Chief Counsel
Office of Enforcement

Accepted by Meritage Health Plan

Dated: March 16, 2022

/Original Signed/
Jackie Bright
Chief Operating Officer
Meritage Health Plan

NN: jaq